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TOP 5 EMERGING MARKETS TO WATCH FOR DIGITAL POTENTIAL

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AFRICA: SOVEREIGN WEALTH FUNDS & REAL ESTATE INVESTMENT

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One topic which has always been of interest to me: The comparison and contrasting of country or regionally centric funds/investors versus global emerging market funds. While both have their own peculiarities, current global state of affairs are posing quite a challenge for those looking at the world as a whole.

It is normal for events of developing markets to ripple and have repercussions across the planet, however, the magnitude of current ripples is...above average to put it mildly. The mexican peso has become an indicator of declining poll numbers for the Trump campaign, consequences of the United Kingdom's departure from the European Union have not even begun to be realized, Russia's potential involvement in Syria, to name just a few current issues.

"When there's blood in the streets, buy property" is the accepted indicator for developing market timing, then the streets are running red. In the short term, regional opportunities are to be found, when circumstances go from totally broken to slightly better is where we find the investment sweet spot and things are looking quite broken. On every continent from Brazil, Argentina, Emerging Europe, Mexico, to Central Asia, there will be fortunes to be made and lost over the next few years, based on the outcome of this one.

ALTERNATIVE Emerging Investor

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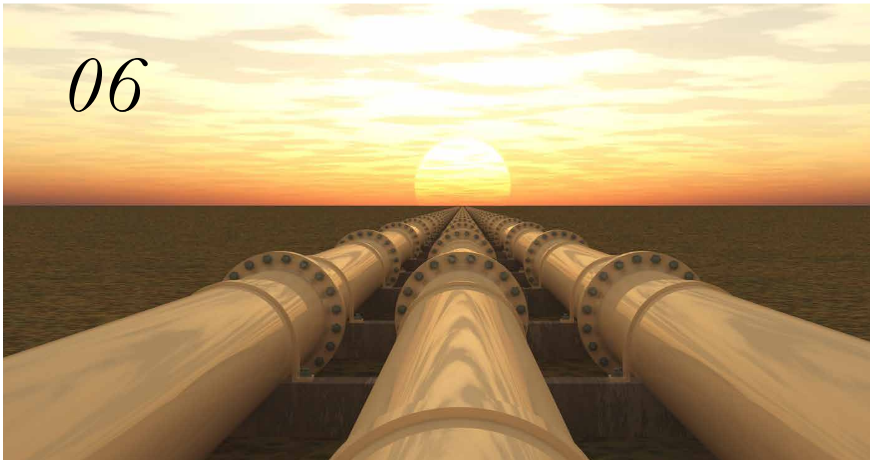

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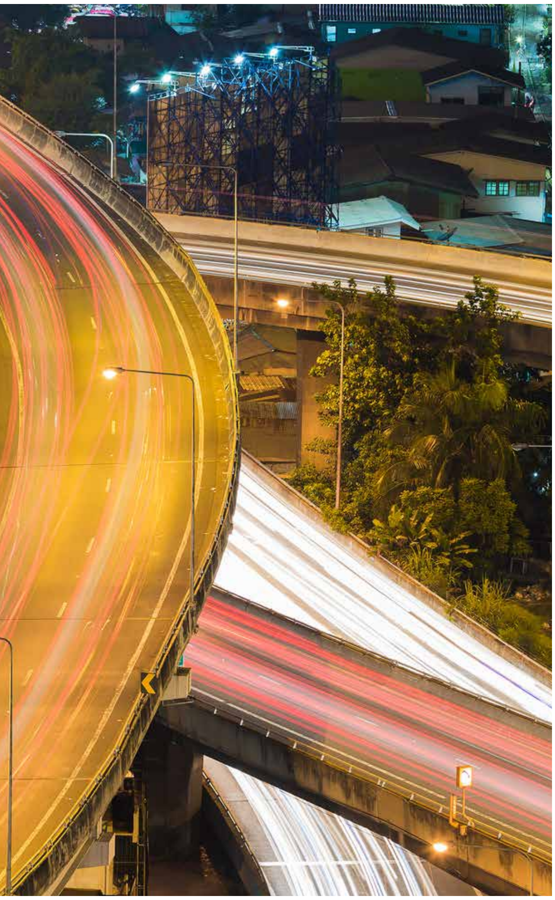

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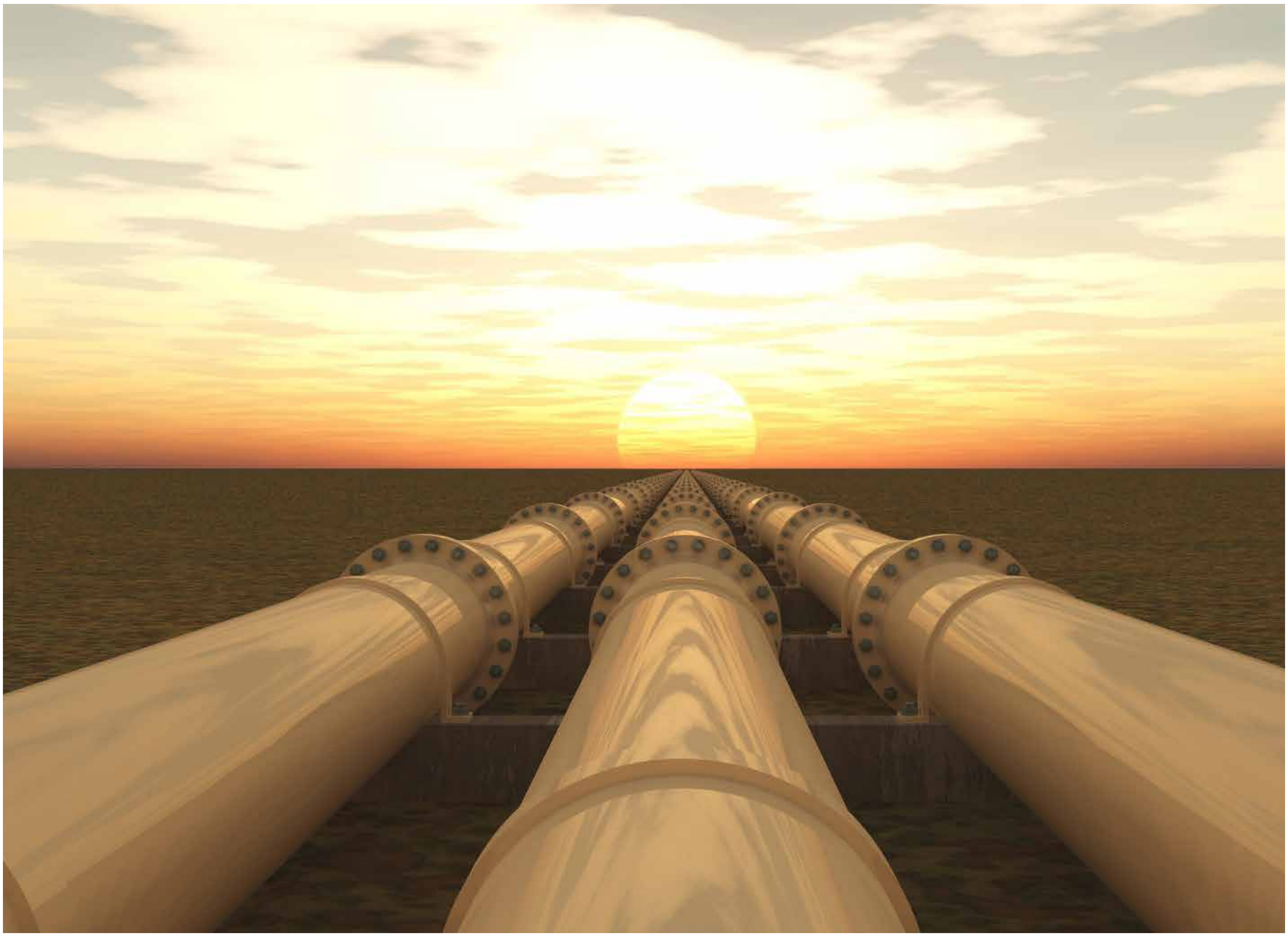
REGOVERNANCE OF SOVEREIGN WEALTH FUNDS IN AFRICA:

THE DILEMMA OF OIL-BASED ECONOMIES

✍ **Chijioke K. Mama**

Oil and Gas economics has changed. In Africa's hydrocarbon-dependent economies, petroleum frequently accounts for 80-90% of government revenues (Angola 80%, Libya, 90%, Nigeria 80%); which makes them very susceptible to the risks of boom-bust cycles in oil prices. These states normally use stabilization Sovereign Wealth Funds (SWFs) - accumulated from oil sales - to smooth state budgets and reduce the fiscal shocks arising from price volatility.

Years of fairly stable and high oil prices, as well as boom periods that lasts longer than the bust periods have seen SWFs grow; stimulating many ambitious, long term infrastructural projects in some countries. However, the current, continued fall in oil prices is a consequence of novel (permanent according to some analyst) shifts in the global demand - supply dynamics of crude oil.



Considering the impacts of US shale production and genuine concerns that prices may never return to the $100 per barrel region again; these African economies will have a need/duty to re-govern Sovereign Funds. Given the near-permanent erosion of excess earnings from the principal commodity (Oil) through which they are usually accumulated, the reserves will continue on the downward path already witnessed since July 2014.

In the sidelines of 2015 World Economic forum in Davos, Bob Dudley, BP's boss mentioned that they (at BP) were already planning on low oil prices for years to come. "We have to plan on this (price) being down, but we don't know exactly what level, but certainly a year, I think or maybe probably two or three" he told the BBC, affirming, the potential for prices to stay low in the medium to long term.

Furthermore, the characteristic weak institutions of governance and non-transparent trades in these economies often encourage executive profligacy and opaque fund management practices. Unless SWFs are re-invented to reflect the recent, strategic market changes; domestic fiscal stability and numerous infrastructural projects may be dragged down with it.

Early signs are already emerging, as nations like Angola has not seen its SWF grow since June 2014. Nigeria's SWF may currently function to supplement the budget but how long is the valid question. In Nigeria's Oil and gas industry which has suffered enormously due to the non-passage of a Bill called The Petroleum Industry Bill (PIB); activities are gradually waning.

vSome projects that were financed on above $100 per barrel price estimates are now stranded. Owners will have to battle with unfriendly financial institutions for fiscal deal restructuring. The cushion effects of SWFs could save Nigerian's budget from the anticipated shock, but that will be for a limited time.

The real challenge will be seen in the region of the curve were SWFs has been significantly depleted and oil prices remain low. In a diversified economy this would pose less grave threats, as earnings from other sectors could be quickly deployed to play a similar role. Furthermore, to develop an alternative will take many years with austerity measures targeted at the masses.

In Angola, the Fundo Soberano de Angola, already were already planning on developing a very ambitious portfolio for 2015, before prices began to crash. $1.6 billion had been set aside to back projects which include an Africa wide investment in hospitality, as well as, other infrastructural development project.

These may go on, but certainly not at the speed at which they were earlier projected. Even in non-hydrocarbon economies, the impact of falling crude price is being felt due to its relational effects on commodities such as gold and cereals, further putting an organic strain on other sectors of the economy. While SWFs can be said to be currently serving the very purpose for which it was created/accumulated in affected countries; sustainability is clearly threatened by current event in the global crude oil market.

About the Author

Chijioke Mama is a Senior Energy Analyst, Strategy consultant and Syndicated Columnist. He is the CEO of MeiraCorp Nigeria, an advisory and investment firm, focused on African-opportunities. One of the leading voices in Africa's energy discourse, with over 40 research-based and investment-focused publications on energy matters in Sub-Saharan Africa. His analytical works are syndicated across top business publications in UK, US and Africa with diverse advisory and consulting engagements for energy and infrastructure firms in these same regions.

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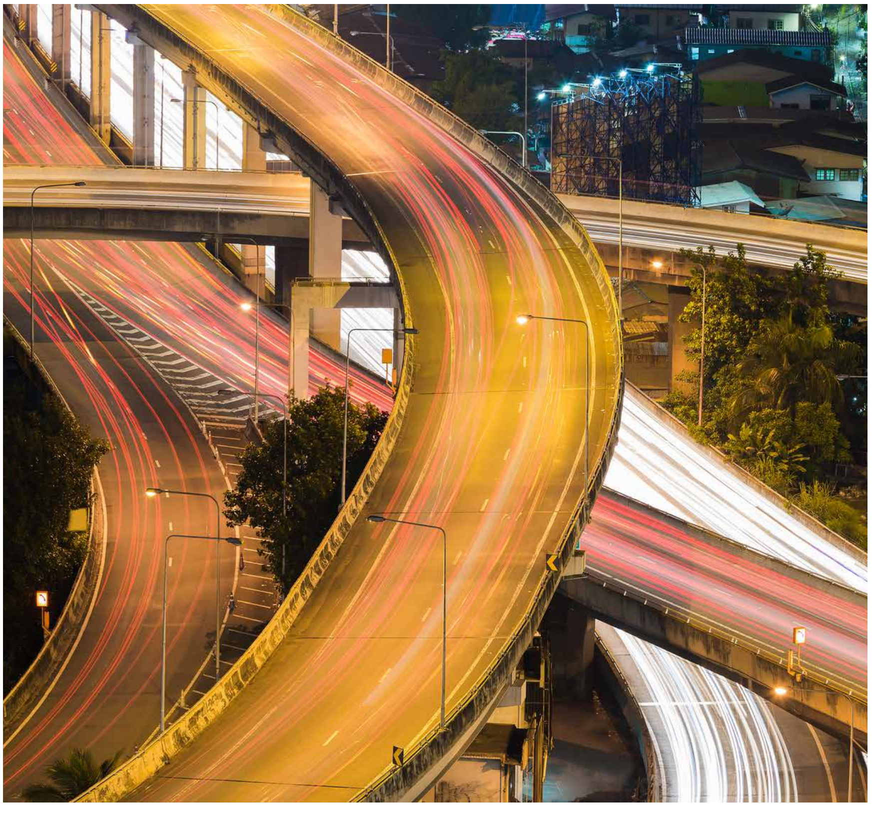
Institutional Investors as Financiers of Asian Infrastructure

Institutional investment in infrastructure has become a much discussed topic in recent years, also in terms of public policy. Governments frequently call for a higher engagement of asset owners in the financing of infrastructure projects.

Many investors have become interested in infrastructure as an "asset class" for their own reasons. In an environment of low interest rates in major markets, they are looking for alternative sources of income and better diversification.

Infrastructure investments potentially offer some useful characteristics for pension funds and insurance companies that have to match (often inflation-linked) annuity-type liabilities. Such assets are often expected to have long-term, predictable income streams, low sensitivity to business cycles, and low correlations to other asset classes. Project finance debt has exhibited relatively favorable default and recovery rates compared to corporate debt. Finally, asset owners are also re-discovering "long-term investing", trying to capture an "illiquidity risk premium" from infrastructure assets.

Institutional assets grew strongly in recent years. The Organization for Economic Co-operation and Development (OECD) valued institutional assets in 2013 at $92 trillion, of which $25 trillion was in pension funds, $26 trillion with insurance



companies, $5 trillion in public pension reserve funds, and $2 trillion in foundations, endowments, and other institutions. Not shown in the table is the $7 trillion in sovereign wealth funds.

Asian Pension, Social Security and Insurance Assets

In emerging markets, institutional assets are comparatively smaller but growing fast. McKinsey & Co. estimated the assets under management of pension funds in developing countries at $2.3 trillion in 2010, i.e., about 8 percent of global assets. $2.3 trillion in the insurance sector is about 10 percent in the global context. In contrast, SWFs are mostly based outside the OECD.

Asian pension and insurance assets were estimated at roughly $10 trillion in 2010, i.e., a global share of about 18 percent. Asian pension funds held $4.4 trillion of assets, of which the vast majority of $3.3 trillion were in Japan, and $0.5 trillion in China. Similarly, Asian insurance companies held $5.1 trillion, of which $3.5 trillion were in Japan and $0.6 trillion in China. In terms of insurance assets, there is a big gap between advanced Asia (where insurance assets are 50 percent to 70 percent of GDP) and developing Asia (less than 20 percent of GDP).

In 2014, the OECD recorded $1.8 trillion of (autonomous) pension plan assets in Asia, i.e., about 7 percent of the global volume. The highest volumes were for Japan with $1.3 trillion; Hong Kong, China, with $103 billion; China with $99 billion; the Republic of Korea with $82 billion; and Thailand with $23 billion. As a percentage of GDP, this equates to 29 percent for Japan; 38 percent for Hong Kong, China; 1 percent for the PRC; 7 percent for the Republic of Korea; and 6 percent for Thailand. Even the largest Asian funded pension systems are well below the OECD average of 84 percent of GDP, with developing Asia at less than 5 percent.

Turning to the Asia Pacific region,estimates find 295 infrastructure investors based in the region investing in infrastructure, i.e., 13 percent of their worldwide investor universe.

There are several sizeable social security and public pension reserve plans in Asia, adding up to about $2.5 billion. Among the largest funds are: Japan's Government Pension Investment Fund (about $1.2 trillion), the Republic of Korea's National Pension Service ($400 billion), the PRC's National Social Security Fund ($200 billion), Singapore's Central Provident Fund ($190 billion), Malaysia's Employees Provident Fund ($180 billion), and India's Employee Provident Fund ($116 billion).

In terms of size relative to GDP, they are about 60 percent of GDP in Singapore, 50 percent in Malaysia, 27 percent in Japan, 22 percent in the Republic of Korea, 16 percent in Sri Lanka, and less than 10 percent of GDP in a range of other countries. Most of these schemes traditionally run conservative investment policies with a high allocation to domestic government bonds and deposits.

The Asian pension systems look relatively weak also in qualitative assessments. For example, the Melbourne Mercer Global Pension Index (Mercer 2014) ranks Singapore above average (band B), but the PRC, Indonesia, Japan, the Republic of Korea, and India are all in band D.

Finally, the fund management industry in Asia (including mutual funds, unit trusts, ETFs, private equity funds) is also comparatively small and concentrated in more developed economies. The Asian Development Bank estimates assets under management of about $4 trillion for the ASEAN+3 countries (i.e., plus China, Japan, and the Republic of Korea).

Overall, there are some distinctive features of the institutional investor base in Asia. Private pensions and insurance assets are comparatively small and rather concentrated. However, there are several very large public pension reserve and social security funds in the region. Asia also has a good share of SWF assets, plus massive capital with other, mostly public, institutions, including central banks.

Investors in Infrastructure

Most asset owners have traditionally been investors in infrastructure securities, e.g., as shareholders of infrastructure companies listed on public stock exchanges, in IPOs of privatized utility companies, or as buyers of corporate bonds or municipal bonds. This is true not only for OECD countries, but also for a range of Asian and other emerging markets that have developed their capital markets in recent decades.

The situation is different for unlisted infrastructure investments. To start with, for pension funds in the leading countries, the average asset allocation for unlisted (or private) infrastructure is about 5 percent to 6 percent of assets in Australia and Canada. Worldwide, an OECD survey of large pension funds revealed $70 billion of unlisted infrastructure equity investments and $10 billion of infrastructure debt. However, infrastructure investments were only about 1 percent of the asset allocation of the whole investor group in the survey.

> *Institutional investors, especially larger ones, have been increasing their unlisted infrastructure investments in recent years.*

Insurance companies traditionally have had hardly any investments in unlisted infrastructure assets. However, several insurers and their asset management subsidiaries worldwide have become active in this space in recent times, especially in infrastructure debt.

Turning to the Asia Pacific region, estimates find 295 infrastructure investors based in the region investing in infrastructure, i.e., 13 percent of their worldwide investor universe. The investor base is spread widely across investor types, with insurance companies and banks being the largest groups, with pension funds, foundations, and endowments less prominent compared to other regions.

The asset allocation to infrastructure of the largest 100 Asian investors is about $65 billion, i.e., only 0.3 percent of total assets of about $20 trillion. Of the top 100, 88 invest in private investment vehicles and 62 invest directly. Thirty of the top 100 investors are from Japan, 20 from the Republic of Korea, 13 from Australia, 11 from the PRC, and 10 from India. There is a notable rise of large Asian institutions on a global scale — there are now 15 of them among the top 100 global infrastructure investors, up from five in 2012.

Some Asian insurance companies are reported to have substantial (listed and unlisted) investments in infrastructure, especially in Japan; India; the Republic of Korea; and Taipei, China. Japanese pension funds also constitute an important element of the Asian investor base. The world's largest pension scheme, Japan's Government Pension Investment Fund (GPIF), revamped its investment strategy in 2014 with the intention to invest in alternative assets, including infrastructure.

In summary, institutional investors, especially larger ones, have been increasing their unlisted infrastructure investments in recent years. Many smaller investors, but also some larger Asian reserve funds, have little or no exposure in this field. On average, the overall asset allocation to infrastructure is still small (globally about 1 percent–2 percent of assets, and it appears even lower in Asia).

Sovereign Wealth Funds

The assets of SWFs have grown to more than $7 trillion, with 40 percent of them based in Asia and 37 percent in the Middle East. SWFs have very diverse sources of funds (e.g., commodities), investment objectives (e.g., stabilization and pensions), and investment policies (ranging from risk-return criteria to economic and political influence).

Some SWFs have substantial infrastructure allocations while others have none. Estimates show 60 percent of global SWFs invested in infrastructure in 2014, of which 44 percent are based in Middle East/North Africa and 29 percent in Asia. Of the SWFs, 34 percent invest only directly in infrastructure, and 50 percent invest both directly and via funds.

Direct investments by SWFs are estimated to be roughly 10 percent of assets. About $500 billion was invested directly between 2005 and 2012, of which about $55 billion went into transport infrastructure, $60 billion into energy, and about $20 billion into the telecommunications sector. Put together, this would imply a (still moderate) asset allocation percentage in infrastructure of roughly 2 percent.

Asia has a large share of SWFs that are growing their assets and becoming increasingly involved in infrastructure.

Direct investments picked up in 2013 and 2014, with volumes of $186 billion and $117 billion. The United States and the United Kingdom were the largest recipients, each accounting for around 16 percent. Other popular destinations included other EU countries and China. The majority of SWF direct investments seem to go into financial services and real estate. There is a preference for existing assets rather than greenfield projects, thereby contributing to rising valuations.

Nonetheless, some SWFs have been seeking opportunities in emerging and developing markets and economies, e.g., Chinese funds with "infrastructure for resources" deals brokered in Africa. According to a 2015 survey by fund manager Invesco, 17 percent of SWF infrastructure investments are in emerging markets. Assuming a 2 percent average asset allocation to infrastructure, this would imply a volume of about $240 billion. This raises the interesting question as to whether SWFs could crowd out opportunities for other local and regional investors in these markets.

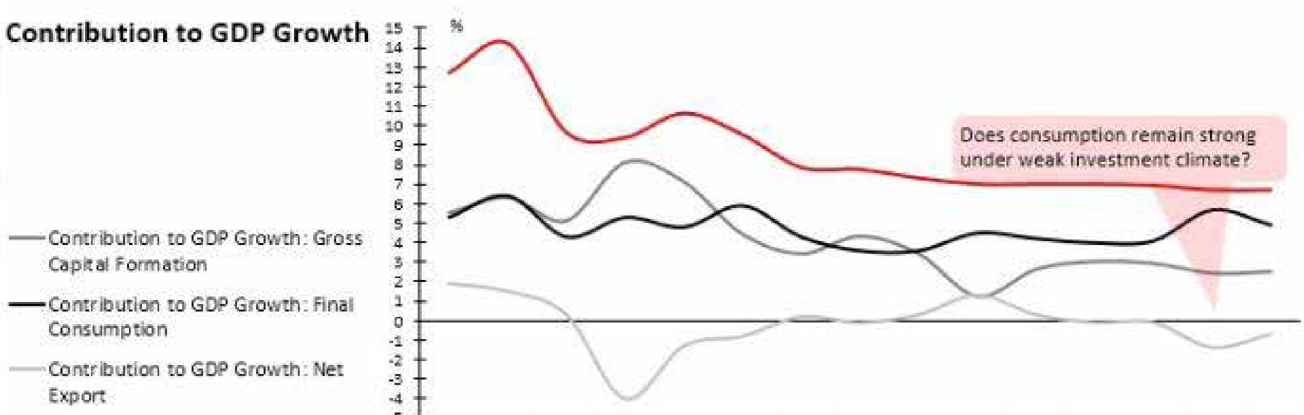
In conclusion, Asia has a large share of SWFs that are growing their assets and becoming increasingly involved in infrastructure. With an estimated average asset allocation of 2 percent, a number of them already have direct holdings in infrastructure assets, although mostly in established markets. Unfortunately, transparency on SWF investments is generally still low.

Georg Inderst is founder of London-based Inderst Advisory. His research and writing also can be found with the European Investment Bank, the World Bank and the Organization for Economic Co-operation and Development.

This article is the fourth of several excerpts that have appeared in i3from Infrastructure Investment, Private Finance, and Institutional Investors: Asia from a Global Perspective, a report commissioned by the Asian Development Bank Institute that reviews infrastructure investment and finance in Asia from a global perspective. The report with footnotes and references is available at www.georginderst.com, www.adb.org, or http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2721577

China: What Determines Economic Growth?

✍ Contributed by the China Database Team (CEIC Data)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	Mar 2015	Jun 2015 ytd	Sep 2015 ytd	2015	Mar 2016	Jun 2016 ytd
Contribution to GDP Growth: Gross Capital Formation	5.50	6.30	5.10	8.10	7.10	4.40	3.40	4.30	3.40	1.20	2.60	3.00	2.90	2.40	2.48
Contribution to GDP Growth: Final Consumption	5.30	6.40	4.30	5.30	4.80	5.90	4.30	3.60	3.60	4.50	4.21	4.00	4.10	5.67	4.92
Contribution to GDP Growth: Net Export	1.90	1.50	0.30	-4.00	-1.30	-0.80	0.20	-0.10	0.30	1.30	0.30	-0.10	-0.10	-1.37	-0.70
GDP Growth	12.72	14.23	9.65	9.40	10.64	9.54	7.86	7.76	7.31	7.00	7.00	7.00	6.94	6.70	6.70

Source: NBS, CEIC, CEIC estimates

China Premium Database

- National Account
- Gross Domestic Product
- Gross Domestic Product: Index

Will China continue to experience an economic slowdown in the second half of the year? This thought has once again caused concern among industry professionals about the contributing factors to GDP growth. At present, the figures suggest that we cannot be optimistic about the situation as sustainable growth elements are not yet strong enough.

Recently, the National Bureau of Statistics reclassified research and development expenditure as fixed capital formation, and revised GDP data in accordance with the new calculation method. Tracing back historical figures over the past 10 years, the revised annual GDP growth rate increased by 0.057 percentage points on average. Although the impact on the historical growth rate was only marginal, the ground gained by R&D will have a profound impact on GDP figures in the future. Under the new method, the importance of the final consumption's contribution to GDP growth has diminished while gross capital formation now plays a bigger part.

In 2015, the contribution of final consumption to GDP growth was revised downwards from 4.2% to 4.1%. This number has been dropping for the past 10 years. In the first half of the year, final consumption contributed 4.92% which was lower than the 5.67% in the first quarter. Additionally, the fixed asset investments are also losing their momentum in the first half of the year while the final consumption still remains strong. Is the larger share of final consumption in GDP growth a result of the weak investment?

Since 2006, the role of exports in boosting China's economic growth has become less influential as shown by the downward trend in GDP growth contribution. Simultaneously, consumption growth is also slowing down. The drivers of economic growth and their focus should be on whether or not such growth can improve the quality of people's lives. People generally are less sensitive to economic growth that is promoted by fixed asset investment.

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About the Author

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Warburg's Minardi: You'll Lose Out if You Avoid Brazil

The head of Warburg Pincus' Latin American operations says PE opportunities in Brazil remain large and attractive, and the current political turmoil should not scare away international investors

Don't avoid Brazil. That's the message from Piero Minardi, managing director at Warburg Pincus in charge of Latin America.

In a wide-ranging interview with Privcap, Minardi shares his views on the integrity of Brazil's legal infrastructure, opportunities in the healthcare space, and the global advantages that Warbug Pincus brings to the table in Brazil. Highlights and clips from the interview are below:

'A Difficult Period'

Minardi acknowledges the political turmoil now roiling the country, but argues that its legal institutions, particularly those of greatest importance to business, are continuing to work as designed. "It's going to be a difficult period, but the institutions remain there, and the big opportunity remains," he says.

In particular, Minardi notes, the regulatory environment for private equity investment in Brazil remains sound—there are no onerous rules such as capital controls to inhibit foreign investing, and a range of private equity-friendly tax incentives are "here to stay."

Scarce 'Bargains'

Minardi says that Warburg's deal flow in Brazil has remained relatively consistent throughout the recession, but that the seller motivations have changed. There are more balance sheet restructuring opportunities now and, with bank financing tight, there are more quality businesses in need of capital.

What's more, Minardi says that the public market swoon in Brazil has not led to sharp decreases in the valuation of quality private companies. "Valuations are not correcting that much," he says. "People expect[ed] bargains in Brazil. It's not happening. I don't think it will happen, actually."

While Minardi is focused mostly on consumer and healthcare deals, the firm is carefully watching Brazil's energy landscape for opportunities. "Opportunities may arise from [state-run oil company] Petrobras, [if] the company decides to put some assets up for sale."

A New Law Means Healthcare Opportunity

Last year, Brazil passed a law allowing for foreign ownership and management of hospitals, opening up a major new investment play for private equity. Piero calls the hospital space "interesting," but adds that a critical component for success will be finding the right management team, particularly one that would be able to work effectively with doctor groups.

More broadly, an attractive attribute of the universal healthcare system in Brazil is that citizens may continue to consume services for months after losing their jobs – in many cases spending more given their comparatively free schedules. Because of this dynamic, Piero says the sector is more resistant to recession.

Benefits of Being Global

Minardi joined Warburg Pincus in 2014 from Brazil's private equity heavyweight Gavea Investimentos. He says the Warburg's global footprint allows it to see "parallel" trends across the globe that may suggest investment plays in Brazil. He notes a deal done in Brazil last year that involved the assistance of a U.S.-based team of partners who invested in a similar services company. "We operate as one fund," he says. "There's a partnership, which works very well from the point of view of transferring experience. You just put in a call and say, 'What do you think?'"

Privcap/

About the Author

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Private Investment in Mexico is Booming.

Are Investors Mispricing Risk?

Private capital is playing a big role in helping Mexico build up the infrastructure necessary to meet its growth

At the time when many emerging markets are struggling to attract international capital, Mexico is expecting major investments in its transportation, water services and energy sectors, say market observers.

"There is a great amount of interest from both local and international investors," says Jose Valera, a partner at law firm Mayer Brown and co-head of the firm's oil and gas practice. "Mexico belongs to the [lower-risk] Chile, Peru and Colombia bucket. The government is strongly committed to seeing this reform through."

Some institutional investors are less sanguine, however.

"Because of all the interest, the returns are moving to the levels of developed countries," says Carlos Isorna, VP at Macquarie Mexican Infrastructure Fund. "Some projects will receive revenues in dollars, but a dollar invested in Mexico may not have the same risk as a dollar invested in the U.S., and the question becomes whether the investors are paying a fair price to enter the country."

Oil Shock, But Stable Growth

Even though the performance of the Mexican economy has been affected by lower oil revenue, the country has maintained moderate growth thanks to an expanding services sector and growing private spending, according to a June presentation from the Mexican Central Bank (Banxico). According to data from the World Economic Forum and the International Monetary Fund, the Mexican economy will grow 2.5 percent this year and 2.6 percent in 2017.

By contrast, Latin America and the Caribbean combined are projected to shrink 0.4 percent this year, and accelerate only 1.6 percent in 2017.

Declining tax revenue from oil has limited public resources and forced the government to increasingly rely on private sector investments to implement its ambitious reform agenda. For example, in April, the Secretariat of Communications and Transport announced it would be seeking private investment to complete the $3.1B expansion of the Veracruz port. The public participation is expected to be only around 22 percent, or $682B, down from 40 percent anticipated previously, according to press reports.

While private investment is important across various sectors, it is particularly crucial for Mexico's flagship company, Petroleos Mexicanos (Pemex), which is facing liquidity problems after $5.3B budget cut announced in February.

In particular, Pemex's exploration and production division is being hit hard by the budget cut. Even before the budget adjustment, the company lacked the resources and technical capacity to invest in the division, according to a presentation from Ainda Energía & Infraestructura. Ainda is raising a $1B fund that will focus on investments in underperforming greenfield and brownfield assets in upstream oil and gas, as well as transportation and water assets. The fund is expected to close in the second half of 2016.

Some investors may be wary of partnering with Pemex, says Horacio De Uriarte-Flores, partner at Mijares Angoitia Cortes y Fuentes. The company's shaky liquidity position has recently been propped up with lines of credit from the Mexican development banks, as well as a capital injection from the Ministry of Finance and Public Credit. Last year, the company extended the payment terms for suppliers to 180 days.

The spread between the Mexican government and the company bonds has also widened, says Marisol Gonza-

lez de Cosio, Director at the Energy and Infrastructure group at Kroll Bond Rating Agency.

These issues have failed to deter major institutional investors from working with a company that, after all, still holds 83 percent of Mexico's proven and probable reserves. Some notable recent developments:

- In March of last year, First Reserve and BlackRock acquired a 45 percent interest in one of the largest energy projects in Mexico's history—a $2.3B pipeline project in Los Ramones.
- In June, Pemex said it would carry out a bidding process for the company's first exploration and extraction partnership to develop the Trion field in the Gulf of Mexico, the country's first deepwater field.
- KKR has completed a $1.2B sale-leaseback transaction with Pemex that includes pipelines, subsea cables and two non-drilling platforms, according to Thomson Reuters. KKR declined comment.
- Last month the government launched the second round of oil auctions, offering 15 E&P contracts in the shallow waters in the Gulf of Mexico. With the bids due in March 2017, the auction is set to attract $60B of investments into the country.
- In July, Macquarie Mexican Infrastructure Fund closed the $41M acquisition of a 22.5 mw solar park in the state of Coahuila. When completed, the park will provide energy under the self-supply scheme to administrative buildings and schools in the municipalities of Matamoros and Torreon.

Projects galore

This investment activity may only be the beginning, given Mexico's woeful lack of infrastructure. With regard to midstream assets, for example, Mexico has only one-tenth the of gas pipeline infrastructure of the U.S., according to Ainda.

The country's Comisión Federal de Electricidad has already awarded 15 privately financed pipelines and has seven left. In the fall, the country expects to award a $7B contract to bring Internet, cell phone and landline service to 98 percent of the population.

In April, Mexico held its first electricity auction that is anticipated to attract an investment of more than $2.5B and result in 18 wind and solar projects. The winners of the auction are mostly utility companies that in some cases have financial sponsors, such as money manager GBM Infraestructura, which also is building two wind parks on the Yucatan peninsula in consortium with Spanish conglomerate Grupo Aldesa.

In transportation, the country is building a new international airport in Mexico City. The new airport will have capacity of 125 million passengers per year—four times greater than the current's airport capacity. The project will require an investment of close to $11B. It is set to start operations in October 2020.

Privcap/

About the Author

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Assessing Vietnam's economy:

key growth drivers and challenges

✍ **Jean-Philippe Pourcelot, Economist at FocusEconomics**

As many of the world's largest emerging economies were faltering earlier this year, namely China, Russia, and Brazil, Vietnam appeared to be one of the emerging market standouts. Since then, however, the Vietnamese economy has shifted into a lower gear as adverse weather conditions damaged a large share of agricultural output, which accounts for almost 20% of GDP. Following disappointing first and second quarter GDP readings, analysts now project Vietnam expanding 6.1% this year, which is substantially lower than the near 7% growth that was expected earlier in year. Despite the disappointing year thus far for Vietnam, FocusEconomics expects steady growth in the manufacturing and construction sectors to offset the impact of the lower agricultural yield and help the economy recover in the second half of the year. We recently sat down with our Vietnam expert economist Jean-Philippe Pourcelot to chat about how he views Vietnam›s economic outlook, the key factors that will affect the country›s economic growth in 2016 and how reforms could help Vietnam›s government to improve FDI and foster a more business-friendly environment overall.

FE: What will be the key drivers of Vietnam's higher growth in 2016 and beyond?

JP: As you know, Vietnam had a disappointing first half of the year, however, despite the slump in the primary sector, Vietnam's macroeconomic fundamentals remain solid. The secondary and tertiary sector gained momentum in the second quarter of the year and will keep the economy on solid footing going forward. Vietnamese exports grew at a robust pace in the first two quarters of the year and FDI inflows also showed solid growth in H1. So, although the economy did slow a bit, overall the situation is far from dire.

FE: How do you see the slowdowns in some of the world's key economies affecting Vietnam's growth prospects?

JP: That's a good question - the ongoing economic deceleration in China coupled with heightened volatility and uncertainty in Europe, do certainly pose downside risks to growth. Over 30% of Vietnamese goods are sold to China and the European Union and most of the FDI inflows Vietnam receives are destined to export-oriented industries. The biggest factor may be the sustained deceleration that the Chinese economy is currently experiencing. Although the China's economy stabilized in Q2 after decelerating in Q1, our panel of 39 analysts estimates that the Chinese economy will decelerate from 6.9% growth in 2015 to 6.6% in 2016 and 6.3% in 2017. Given the important trade ties the countries share, a deceleration in China will likely weigh on Vietnam's exports. China is not the only thing that Vietnam has to worry about, though, as increased political and economic turmoil owing to the Brexit vote threatens to derail the economic recovery of the Eurozone, affecting consumption in the bloc and consequently FDI inflows into Vietnam.

FE: Speaking of FDI, how do you see FDI inflow into Vietnam going from here in light of the current global economic environment?

JP: Unfortunately we don't forecast FDI inflows themselves into Vietnam, but our data does suggest that FDI inflows in the first half of 2016 increased, largely concentrated in export-oriented manufacturing. However, we have to keep in mind that the global economy is a little shaky at the moment. If the global economy, and particularly China decelerates further, FDI inflows into Vietnam could dry up.

FE: FDI is obviously an important aspect of Vietnam's economy and the government is now showing a determination to create a more business-friendly climate. What do you believe are the most important reforms the government should make to improve the business environment in Vietnam?

JP: The higher FDI inflows that we just talked about underscore the efforts the government has already made to improve the business climate, such as the reforms to cut the corporate income tax as well as improving the information available on accessing credit, among other actions.

Going forward, however, government reforms in a few key areas could work to improve the business climate:

First of all, focusing on state-owned enterprises (SOEs), which account for the 30% of Vietnam's GDP, is imperative. SOEs are becoming increasingly inefficient and deterring investment. Restructuring and privatizing SOEs is key along with reforms that focus on areas such as improving transparency, strengthening supervisory capacity and curtailing SOEs' preferential access to credit and other resources. Liberalizing SOEs is paramount to boosting productivity and attracting FDI. Lack of SOE reform could aggravate macroeconomic imbalances in the country, reduce its export-competitiveness and deter FDI as a result.

On top of that, reforms need to be implemented in the banking sector. Analysts argue that Vietnamese banks are currently undercapitalized and saddled with non-performing loans, which makes the banking sector highly susceptible to shocks. In addition, ample credit growth in the domestic economy without strict regulations increases risks in the real estate market. Improving transparency, implementing disclosure requirements, loosening ownership regulation and continuing consolidation efforts are examples of steps needed to be taken in order for the banking sector to better withstand economic shocks and support growth.

FE: Well, it seems like there is a lot left to be done in Vietnam.

JP: Absolutely, despite the downside risks to the outlook, I'm fairly positive about the future of Vietnam and its growth prospects going forward.

FE: Great, thanks for sitting down with us Jean-Philippe.

JP: Any time.

About the Author

Jean-Philippe is an economist in FocusEconomics' economic research department. He studied economics and international relations at the University of British Columbia (UBC) in Vancouver, Canada. Jean-Philippe has worked at Antonio Puig S.A. in Barcelona as an international market development executive. Prior to that he worked in The Panama Canal Authority and the La Estrella de Panamá newspaper. Jean-Philippe is originally from Panama, but has lived in Canada before moving to Spain. He speaks Spanish, French, and English.

Chinese acquirers whetting appetite for more US, Canadian consumer sector buys

✍ **Nicholas Clayton in New York with analytics by Elizabeth Lim**

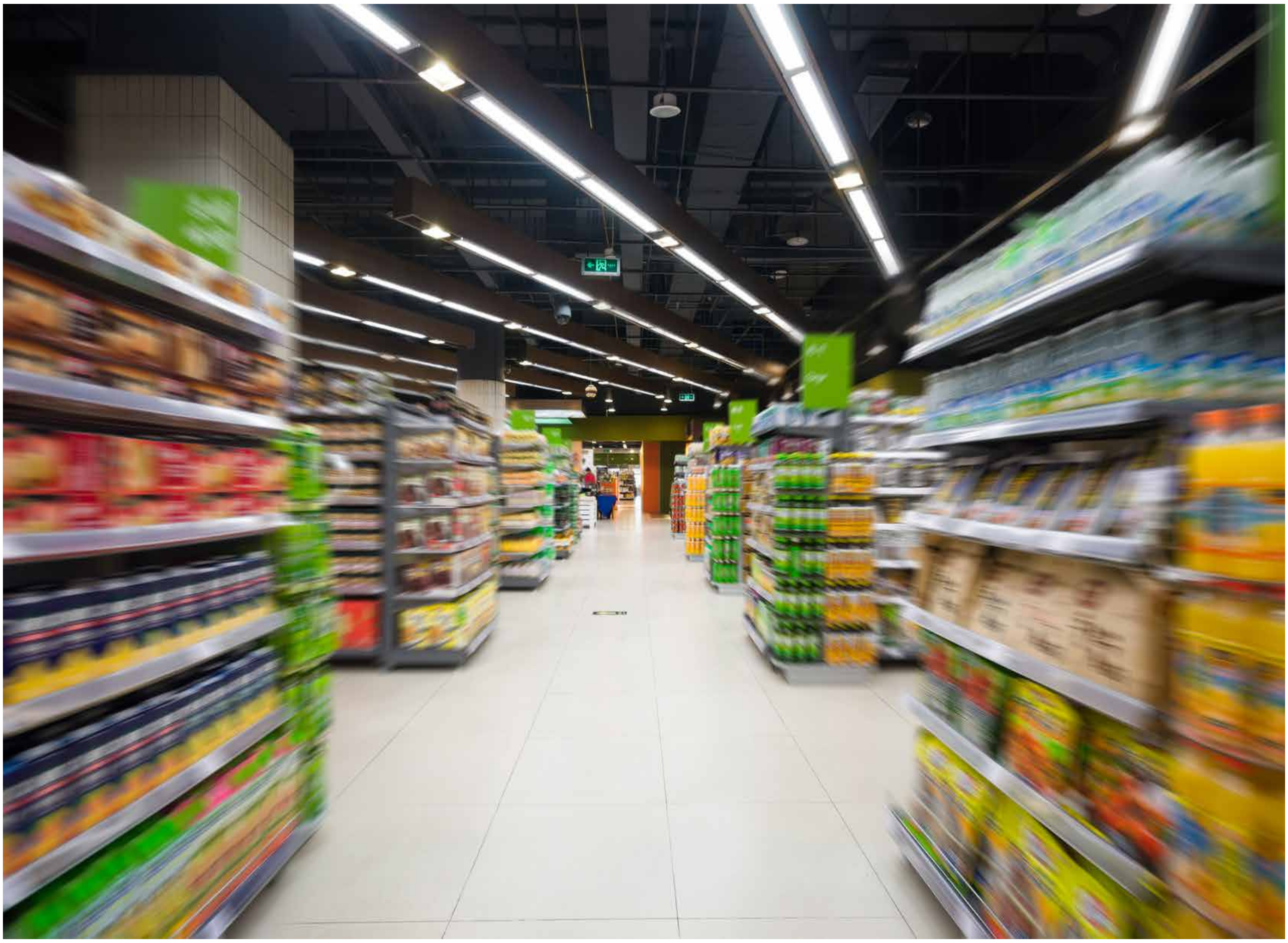
As the growth of China's middle class boosts its domestic consumption, Chinese acquirers are increasingly looking to purchase consumer companies in the US and Canada to help put more products on the shelves, according to three sector bankers.

The trend was catalyzed by Chinese meat giant Shuanghui International with its 2013 acquisition of Virginia-based Smithfield Foods, then the world's largest pig farmer and pork processor, for approximately USD 7bn including debt.

From that deal's announcement in May 2013 through 1H16, Chinese buyers have made 14 consumer deals in the US and Canada, compared to just three in the 10 preceding quarters dating back to January 2010, according to data compiled by this news service.

The first quarter of 2016 saw the largest deal since Smithfield in Qingdao Haier's (SHA:600690) January acquisition of GE Appliances for USD 5.6bn, while 2Q16 boasted the highest inbound deal volume by Chinese buyers since 4Q14 with three consumer transactions, the data revealed.

Food, wellness and white goods are areas of particular interest for Chinese acquirers, the bankers said. Chinese buyers are looking at "anything they can import" via acquisitions in those categories because foreign brands hold better credibility and status among middle-class



Chinese consumers compared to domestic ones, the first sector banker explained.

A second sector banker said that there has been at least one Chinese bidder in every sale process for household products companies he has run during the past two years.

Fosun International (HKG:0656), Shanghai Pharma (SHA:601607) and SinoPharm (HKG:1099) are among the potential suitors for GNC (NYSE:GNC), which is expected to kick off a sale process this month, as previously reported by this news service.

The second sector banker said he expects Chinese suitors to engage with Sears (NASDAQ:SHLD) in its potential carve-out of brands Kenmore, Craftsman, DieHard, and Sears Home Services. In May, the company announced it had retained Citigroup and LionTreeAdvisors to help evaluate alternatives for those brands.

Terry Ennis, CEO of Atlantic Aqua Farms, a Prince Edward Island, Canada-based supplier of farm-raised live shellfish told Mergermarket in May that he expected the CAD 15m EBITDA company to see its strongest buyout interest come from China when its sponsor Encore Consumer Capital puts the company on the block in 12 to 24 months.

Other American and Canadian consumer deals involving Chinese acquirers in 1H16 included Xiwang Foodstuffs' (SHE:000639) June acquisition of Canada-based sports supplement company Kerr Investment Holding Corp. for USD 730m and Alpha Group's (SHE:002292) USD 94m acquisition of California-based juvenile products maker Baby Trend in April. In addition, XiamenKingdomway Group (SHE:002626) acquired California-based nutritional supplement company Doctor's Best for USD 54m in May.

Prestige buys in leisure/hospitality also popular

The leisure and hospitality space has also seen an uptick in interest with six deals in 2015 and 1H16 compared with just three from 2010 through 2014.

A third sector banker said that, similar to Japanese buyers in the 1980s, large Chinese groups with liquidity see hotels in the US and Canada as both prestige buys and also as important hedges against domestic currency volatility.

The third sector banker said REITs and sellside advisors on real estate now regularly take long trips to China to shop assets and are working to become more familiar with Chinese players in secondary and tertiary cities.

A fourth sector banker said Lasalle Hotel Properties (NYSE:LHO), which has long traded below its net asset value, could be a potential target for Chinese buyers, although its offerings are not as upscale as assets Chinese acquirers have previously targeted.

China National Travel Service and Fosun are pursuing US hospitality group Apple Leisure, in a process that has taken initial bids, as previously reported by Mergermarket. Apple Leisure could be valued at more than USD 1.5bn, including debt, according to a June Reuters report.

Food, wellness and white goods are areas of particular interest for Chinese acquirers, the bankers said.

Recent leisure/hospitality deals involving Chinese acquirers and US and Canadian targets include insurance company Anbang's acquisition of New York City's Waldorf Astoria hotel for USD 1.95bn in 2015. Anbang followed that move up with a USD 14bn offer for Starwood Hotels & Resorts (NYSE:HOT), though it dropped the bid in March 2016 reportedly due to domestic regulatory concerns. Starwood eventually agreed to sell to Marriott International (NASDAQ:MAR) for USD 13.6bn in cash and stock.

That same month, Anbang acquired Chicago-based Strategic Hotels & Resorts from The Blackstone Group (NYSE:BX) for a reported USD 6.5bn. Anbang's acquisition occurred just three months after Blackstone's take-private of Strategic Hotels closed.

Challenges remain despite heightened interest

Although Chinese interest has become a steady feature of the consumer M&A environment, a mutual lack of information between sides creates difficulties in getting some deals done, the three sector bankers said.

In addition to translation and the other special needs of a cross-border transaction, Chinese bidders are "not always well-versed" in US M&A processes and practices, and there is a "huge difference" with how transactions are generally handled in China, the second sector banker said.

From a sellside perspective, few American and Canadian investment banks fully understand the internal approval processes within Chinese state corporations and the hurdles they must pass in order to get regulatory approval for outbound deals, this banker said. This can lead to the perception that serious Chinese bidders are dragging their feet or have lost interest during lulls in communication, the banker added.

The first sector banker said that in some cases targets will receive unexpected, aggressive bids by large cap Chinese companies that are totally unknown to their US and Canadian peers, adding "it can be unbelievably amusing how out-of-nowhere some Chinese bids are."

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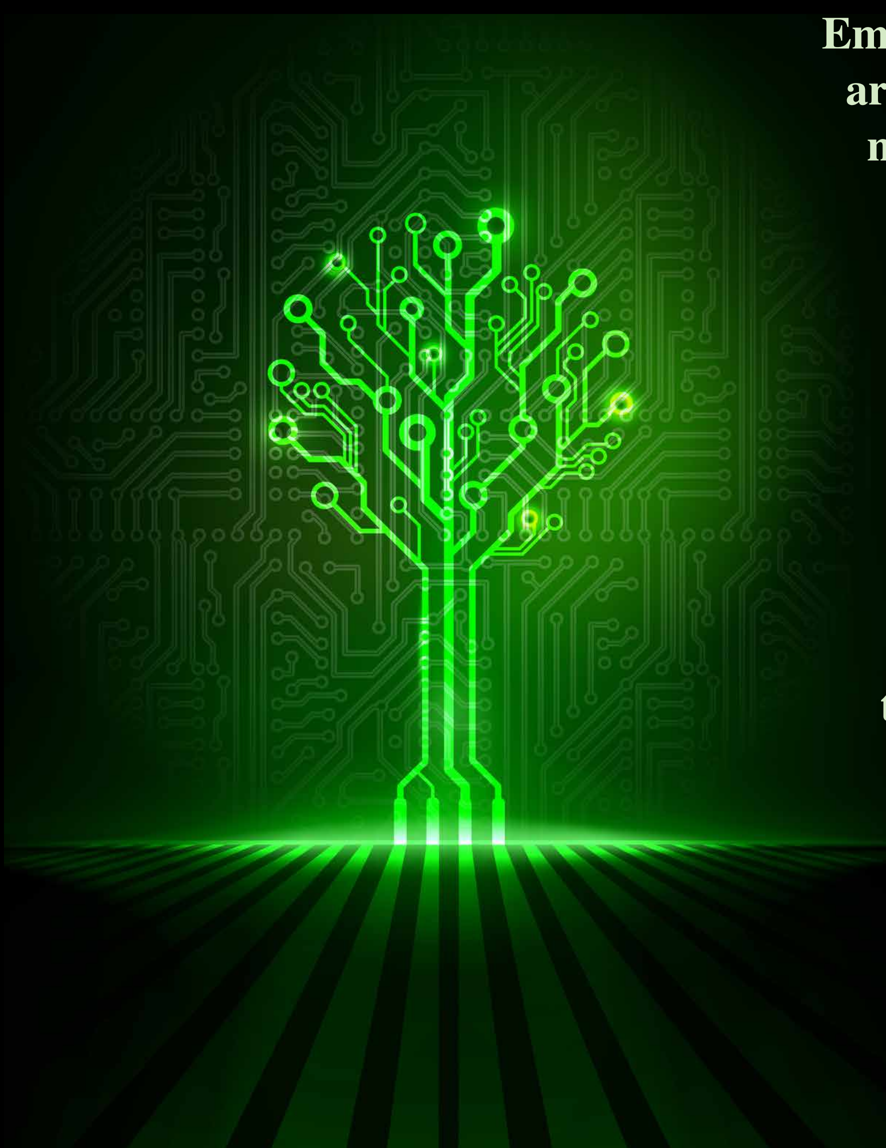
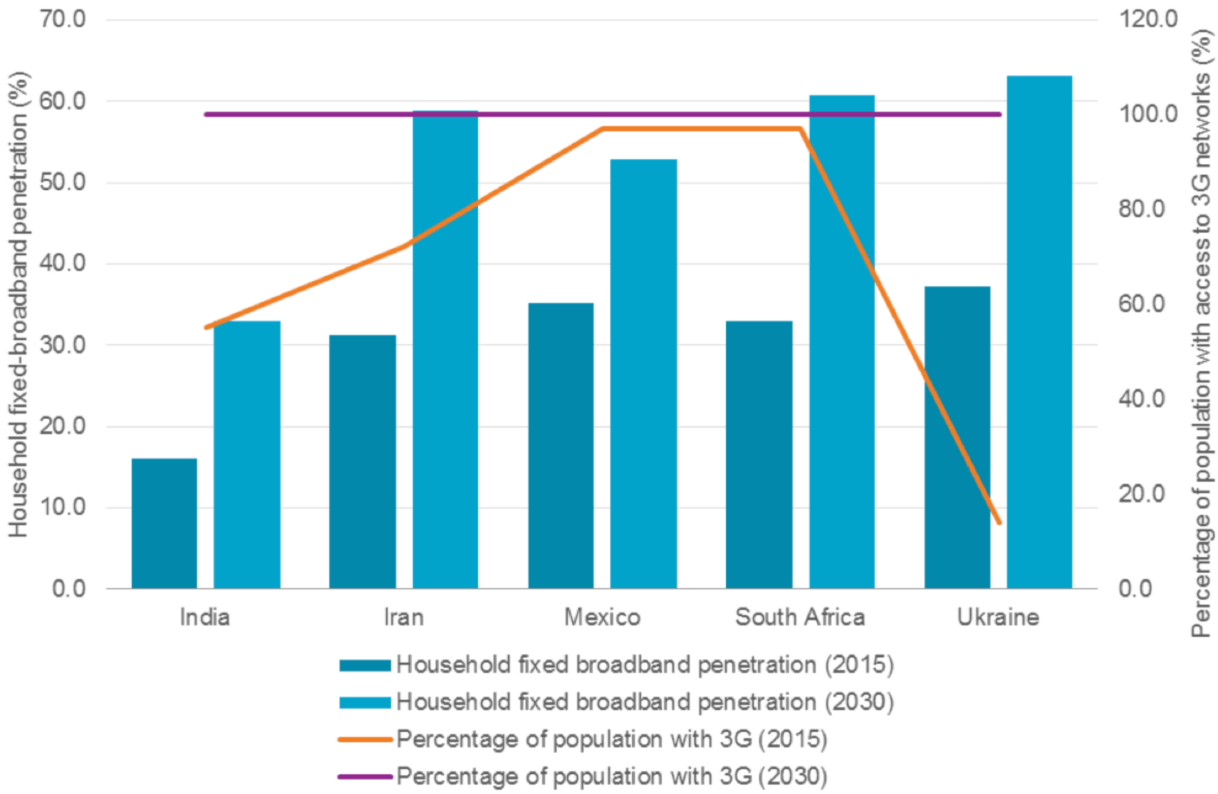
Top Five Emerging Markets to Watch for Digital Potential

✍ **Swarnava Adhikary - Economies and Consumers Senior Analyst**



Emerging market consumers are driving uptake of the new-age digital services, from superfast mobile broadband to digital commerce. Some markets are performing better than others due to higher degree of sophistication in the telecom landscape, greater network investments and young, tech-savvy consumers.

Households with Fixed-broadband and Penetration of 3G networks in Select Markets: 2015/2030



Governments have recognised the need to facilitate a stronger digital environment and improve connectivity in order to better living standards. The result has been fast growth in fixed-broadband penetration and nearly ubiquitous coverage of 3G networks.

Based on a variety of digital landscape indicators, below is a list of the top five emerging markets that Euromonitor International forecasts to have the greatest digital potential in the coming 15 years:

Source: Euromonitor International from International Telecommunications Union (ITU) and national statistics. *Note: Figures from 2016-2030 are forecast*

India: Favourable demographics and technology investments will secure digital future

Among emerging markets, India offers considerable potential in terms of digital connectivity. Over half the population had access to 3G networks as of 2015 with nationwide coverage expected by 2030. Rapidly growing data demand by the tech-savvy, urban youth has made wider 4G LTE rollout imminent with the government commencing with spectrum auctions in July 2016. The authorities recognise the need to connect the large rural consumer base with broadband internet given their economic potential. BharatNet, a national fibre-optics public project, aims to provide broadband to a large number of village councils, schools and centres by December 2018, thereby driving fixed-broadband penetration.

Challenges: While India is an exceedingly promising market, project implementation remains a key challenge. BharatNet has witnessed a number of project deadline extensions as well as cost overruns. High-income inequality and low-rural purchasing power present important challenges at present, but can be offset by robust economic growth over 2015-2030.

Iran: Reformist government focuses on technology development

Iran, which for years was limited by western economic sanctions, is now a promising digital marketdue to the young and educated population, large consumer base and a technology-friendly government. The reformist Hassan Rouhani government has singled out technology as one of the top three five-year priorities, thereby attracting interest from several western tech majors. Iran is a regional leader in terms of broadband subscribers as of 2015 though Internet speed is slow and services expensive. However, in 2014, the government allowed operators to increase speeds of residential Internet connections and granted 3G and 4G LTE licenses to the two largest mobile operators, Hamrah Aval and MTN Irancell. In April 2016, MTN Irancell announced plans to launch fibre-broadband services though no deadline was given. These initiatives are expected to drive future growth in both fixed broadband and mobile Internet.

Challenges: Online censorship remains the chief threat. The conflict between hardliners and reformists within the establishment surfaced when the former spoke against mobile Internet connectivity following the grant of these licenses. Any possible future conflict against western nations could also derail development.

Mexico: Anti-monopoly reforms to boost telecom growth

A key emerging market, Mexico has been known for entrenched monopolies in a variety of sectors, including telecom, which has stunted economic development. The government dismantled America Movil's market dominance by passing a law in July 2014 that would increase competition and require the operator to share infrastructure with competitors. This will lower costs and increase penetration of mobile and broadband services moving forward. High-speed mobile broadband is already available in many cities with mobile operator AT&T Mexico expanding its 4G LTE network to 42 cities by April 2016. The government is also implementing the Mexico Conectado project, which aims to provide free Internet to 250,000 public areas by 2018.

Challenges: The biggest challenge is the gaping income inequality and unequal access to most telecom services for the poorer households, which is due to the lack of competition, high tariffs and underinvestment in rural areas. However, penetration rates of mobile and fixed-broadband are expected to post healthy growth going ahead due to reforms.

South Africa: Rural broadband access key to improved digital connectivity

South Africa is the most advanced telecom market in Africa helped by a competitive mobile segment and cellular broadband investments. The mobile segment has been the dominant contributor to telecom development and operators have continued to invest in 4G LTE to meet fast rising data demand in large cities. This is expected to continue. The government has sought to address the existing rural-urban digital divide through the South Africa Connect initiative, started in 2013. This project aims to provide fixed-broadband to 90.0% of the population by 2020, with nationwide coverage by 2030. While the targets are ambitious, effective implementation will boost broadband connectivity among poor rural households and drive wider uptake of digital commerce and other services.

Challenges: South Africa suffers from one of the most unequal income distribution globally and persistent income inequality could derail the government's well-intentioned plans. Weak economic growth, political instability, corruption and bureaucratic hurdles can affect effective implementation of broadband projects and service delivery.

Ukraine: Digital landscape looks promising despite economic turmoil

Ukraine is making gradual recovery after plunging to the depths of turmoil following the military conflict with Russia over 2014-2015. The telecom sector is expected to benefit from the easing of war in the eastern region of the country and will be supported by introduction of new technologies. Mobile operators launched 3G services in 2015 after years of delay and have continued to expand their networks, which will increase 3G network penetration from just 14.0% in 2015 to 100% by 2030. The regulator has reserved spectrum for 4G LTE auctions with commercial launch expected by 2017. Incumbent fixed-line monopoly Ukrtelecom is also collaborating with Chinese network equipment vendor Huawei on a three-year network modernisation project to introduce more advanced technologies such as fibre-optics.

Challenges: High corruption and concentration of economic power are key challenges. Moreover, the country's strategic location makes it vulnerable to interference by foreign nations and thereby the possibility of conflicts, which can affect telecom growth.

EUROMONITOR INTERNATIONAL

About the Author

Euromonitor International is the leading provider of global strategic intelligence on consumer markets, with offices in London, Chicago, Singapore, Shanghai, Vilnius, Dubai, Santiago de Chile, Cape Town, Tokyo, Bangalore and Sao Paulo and in-country analysts worldwide. For more than 30 years, Euromonitor has published internationally respected market research reports, business reference books and online information systems, providing strategic business intelligence for the world's leading FMCG multinationals.

The great rift: Is Africa finally coming together for real estate investors

✍ **James Buckley**

As home to some of the world's fastest-growing city economies, Africa, with its rapid rates of urbanisation and burgeoning middle classes, is now firmly on the radar of an ever-growing list of multinational corporations, hotel operators and property investors.

Sustained economic growth, favourable demographics and increased investment from domestic and international companies are fuel-ling accelerating demand for high-quality office and retail stock, particularly across sub-Saharan Africa (SSA), much of which remains severely under-supplied with high-quality commercial real estate. The region's economy has doubled over the past 15 years, driven not only by commodities, resources and more stable governance but, increasingly, by growth in financial and business services and in consumer spending.

Growth Potential Recognised

According to JLL's latest Emerging Beyond the Frontier report, it is the only region to have substantially increased its share of global foreign direct investment (FDI) over the past decade, with 17 percent of global FDI volumes in 2014 flowing to the African continent.

International capital is responding to the opportunities available and there has been an acceleration in the number of new real estate fund platforms created to focus on the area's com-mercial real estate market. There is also a broad range of new equity sources — including private equity, sovereign wealth and pension funds, REITs, and institutions — becoming increasingly available and active.

"A handful of global real estate investors have exposure to sub-Saharan African real estate, although this exposure is limited and mostly indi-rect through investments in private equity real estate or real estate fund platforms," observes Craig Smith, associate director: capital markets, sub-Saharan Africa, at JLL.

"Nigeria, Ghana, Kenya, Tanzania, Zambia and Mozambique are the countries in which there is the most interest from investors and developers. This is due to the size of these economies, their growth prospects and urbanisation trends in core cities there. From international real estate investors' perspectives, these are typically the markets that present suf-ficient scale to satisfy their investment appetite and criteria."

The growth in the number of Africa-focused real estate fund platforms and their ability to attract larger capital commitments from global investor groups is indicative of the region's grow-ing credence and momentum as a real estate investment destination.

Actis Capital is credited with launching the first sub-Saharan Africa real estate fund in 2007, when it raised more than $150 million (€135 million) of equity from a single development finance institution. This was quickly followed by the emergence of other fund platforms, with more than 15 now established and more than $2 billion (€1.8 billion) in equity committed to date.

New entrants currently in the process of estab-lishing funds, together with subsequent rounds of capital raising from existing fund platforms, are esti-mated to be targeting around a further $4 billion–$5 billion (€3.6 billion–€4.5 billion) in equity commit-ments over the next few years.

Credible investment destination

In June, Actis reached final closing on its third opportunistic private real estate fund, Actis Africa Real Estate Fund 3, with commitments totalling more than $500 million (€449 million), comfort-ably exceeding its original $400 million (€359 million) target, and making ARE3 the largest opportunistic private real estate fund targeting sub-Saharan Africa raised in the market to date.

"Unlike the real estate sector of developed economies, which has been characterised by significant levels of leverage, an oversupply of property and relatively low yields," says Amanda Jean-Baptiste, partner in the real estate fund at Actis, "investment returns from SSA commercial real estate are characterised by sustainable and growing rental rates driven by strong upward trends in economic fundamentals.

By global standards, most property investment markets are opaque and small. The exception is South Africa, which is by far the continent's largest and most mature market.

"Actis targets countries where transparency is adequate, where the rule of law applies and where high-quality real estate is scarce," says Jean-Baptiste. "Target countries might include Nigeria, Ghana, Ivory Coast, Kenya, Zambia, Mozam-bique and Tanzania."

ARE3 will invest predominantly in prime retail, office and industrial developments in the capital cities of up to eight sub-Saharan African markets.

"The real estate sector in sub-Saharan Africa has been suffering from acute underinvestment, resulting in a large, growing supply/demand gap for institu-tional-quality real estate assets," adds Jean-Baptiste.

"The ongoing trend toward urbanisation in Africa is therefore an important aspect of the Actis real estate investment thesis and rapidly-developing target cit-ies such as Lagos, Accra, Abidjan and Nairobi are expected to form a central focus point."

Picking the right moment

Back in February, Grosvenor Group made its maiden foray into sub-Saharan Africa with an invest-ment in SSA-focused investment manager RMB Westport's second fund, which raised more than $200 million (€179 million) at the initial close. The fund will develop a combination of shopping cen-tres, office buildings and industrial assets, targeting primarily Nigeria, Ghana, Angola and Ivory Coast.

"We had been keeping abreast of the opportuni-ties in sub-Saharan Africa for some time and felt that it was the right time to start investing in the region," says Chris Taite, managing director, indirect investments, at Grosvenor Group. "As this is the start of a significant longer-term step for Grosvenor, the specific short-term market timing is of less significance. According to UN Habitat, around 500 million Africans live in urban cen-tres and there are over 65 African cities with a popu-lation of more than a million people. However, the developing consumer market is underprovided for, meaning that there are opportunities in the region for investment growth and strong investment returns."

The numbers pick up

JLL estimates that by 2020 $7 billion–$8 billion (€6 billion–€7 billion) of equity will have been commit-ted to regional fund platforms, with the potential for the delivery of up to $15 billion (€13 billion) of new real estate stock to the market by 2025. Of course, this only represents part of the picture, given that beyond the regional fund platforms there are numer-ous domestic and international groups developing and investing directly.

By global standards, most property investment markets are opaque and small. The exception is South Africa, which is by far the continent's largest and most mature market. While other sub-Saharan markets have attracted increased interest from international inves-tors, the most noteworthy flow of capital in recent years has been from South Africa into the rest of the sub-Saharan region. Other than RMB Westport, these include Redefine, Sanlam, Stanlib, Atterbury, Resilient, Ivora Capital, Delta International and Novare, says Knight Frank. A recent entrant is the Momentum Africa Real Estate Fund – a joint venture between Global Investment Management in London and Eris Property Group in South Africa – which was launched in Janu-ary 2015 with a $250 million (€224 million) equity goal and a focus on Ghana, Kenya, Nigeria, Mozambique, Rwanda and Zambia.

"The first challenge in embarking on this kind of investment is finding the right partners who know the market," says Taite. "

African markets are emerging with their own identity, be it Lagos in Nigeria, the established gateway to West Africa and the commercial capital of sub-Saha-ran Africa's largest economy; Nairobi in Kenya, the pri-mary commercial and transport hub for East Africa; or Addis Ababa in Ethiopia, underpinned by strong demand for modern office space driven by the oil sec-tor and NGOs, while the industrial sector has begun to attract international interest as a result of Ethiopia's emerging status as a manufacturing location.

Peter Welborn, chairman of Knight Frank Africa, says: "There is a big investment in retail, with capital cities such as Nairobi set to benefit from new shop-ping centres in excess of 20,000 square metres. Else-where — in Dar es Salaam, for example — five new shopping centres are planned to be built over the next decade. Countries along the West Coast of Africa, including Ivory Coast and Nigeria, will see investment in new shopping centres driven by the demands of hungry French and international retailers."

Catering for business travel

Africa also offers a wealth of opportunity for hotel operators, with Hyatt, for example, opening two properties in Africa last year. The Park Hyatt Zanzi-bar opened in an established luxury destination and the firm's Hyatt Place brand was introduced to the continent in Taghazout Bay, part of a new sustain-able development in Morocco.

"Business travel is booming, particularly in cit-ies such as Lagos and Dakar, which will continue to have exciting implications for both commercial and hotel real estate investment in years to come," says Peter Norman, senior vice president of acquisitions & development for Hyatt Hotels. "It is absolutely time for global hotel operators such as Hyatt to invest fur-ther in Africa. After what was very steady growth in our footprint in Africa over a number of decades, we are now looking to grow here at a pace. Africa, along with Asia, will be the engine of growth this century."

While the region's rapidly-expanding economies offer a compelling long-term growth story, significant challenges to investing in Africa's real estate remain.

According to JLL, short-term risks include: strict cen-tral bank regulations within individual countries and the volatility of local currencies against the US dollar; complex legal considerations, such as property own-ership rights, investment restrictions and tax controls; the impact of political instability and changing gov-ernment policy; and local country instability such as an overdependence on natural resources, fluctuating oil prices, terrorism and social instability resulting from inequality.

"The first challenge in embarking on this kind of investment is finding the right partners who know the market," says Taite. "The second challenge is ensuring that the selected partner is able to evidence a number of factors through our detailed and long due diligence process."

Pushing past hurdles

The financing of real estate can also be tricky; the majority of debt funding to the real estate sector in sub-Saharan Africa is still being provided by banks due to the fact that a large proportion of lend-ing opportunities are project-based and that the debt capital markets are still in their infancy. While local and regional banks are the natural lenders to developers and landlords in the region, they have limited access to capital, while their balance sheets are often constrained by stringent regulations from central banks, restricting them from funding large real estate projects or deals in Africa.

Meanwhile, international banks remain cau-tious of the region, as their knowledge of the local real estate markets is limited, which makes their debt expensive.

A 60 percent loan-to-value ratio is common for income-producing assets, usually over a five-year term, and would typically be fully or partially amortising.

The World Bank's Doing Business Survey, which ranks the regulatory and business environment for small- and medium-sized businesses globally, places 21 African countries among its bottom 30 in the world. However, improvements are being made and the example of Rwanda is a beacon, having made a series of reforms to business regulations over the last decade and which now stands in the World Bank's top 50, above some western European countries.

Despite the hurdles involved with property investment across Africa, there is tangible progress and momentum as developers respond to the urgent need for modern commercial real estate, and politi-cal and economic governance continues to selec-tively improve across the region.

For all the potential of Africa's property markets, the real estate investment landscape in sub-Saharan Africa has undoubtedly been hit over the last 12 to 18 months due to the slowdown in the Chinese econ-omy and which has led to a decline in the demand for mineral commodities.

"There are certainly those economies that have an over-reliance on mineral commodities and that will need to undergo structural changes to adjust to the current reality," says Smith. “Nigeria is a mar-ket with huge potential due to a limited supply of good-quality office, retail and industrial property and rapid urbanisation, but is facing serious short-term economic headwinds due to the significant decline in the price of oil.”

But while the growth in sub-Saharan Africa — excluding South Africa — has slowed over the last 12 to 18 months, it remains one of the fastest-grow-ing regions in the world. Furthermore, the region is expected to benefit from demographics and rapid urbanisation in major cities. Real estate is likely to benefit from these trends as it will stimulate demand for property across all sectors.

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Author James Buckley is a freelance writer based in London.

Institutional Real Estate Europe provides readers with industry news and insights on private equity real estate, helping property investors and other decision makers understand market trends and issues and shape their strategy accordingly. This monthly publication delivers valuable data and information, as well as commentary from thought leaders throughout Europe.

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